

**DELAWARE HOUSING PARTNERSHIP, INC.  
DOVER, DELAWARE**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**JUNE 30, 2009 AND 2008**

DELAWARE HOUSING PARTNERSHIP, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 9
SUPPLEMENTAL INFORMATION:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	10-11

200 Springer Building  
3411 Silverside Road  
Wilmington, Delaware 19810  
302.478.8940

## INDEPENDENT AUDITORS' REPORT

FAX: 302.478.0133  
www.btcpa.com  
info@btcpa.com

September 25, 2009

Board of Directors  
Delaware Housing Partnership, Inc.  
Dover, Delaware

We have audited the accompanying statements of financial position of Delaware Housing Partnership, Inc. (a non-profit organization) as of June 30, 2009 and 2008 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Housing Partnership, Inc. as of June 30, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2009 on our consideration of Delaware Housing Partnership, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

  
BARBACANE, THORNTON & COMPANY

DELAWARE HOUSING PARTNERSHIP, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 233,835	\$ 1,613,324
Other Receivables	10,544	-
Total Current Assets	<u>244,379</u>	<u>1,613,324</u>
NONCURRENT ASSETS:		
Mortgages and Accrued Interest Receivable (net of allowance of \$13,305 and \$172,248 for 2009 and 2008, respectively)	<u>651,933</u>	<u>7,592,992</u>
TOTAL ASSETS	<u>\$ 896,312</u>	<u>\$ 9,206,316</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts Payable	\$ 117,263	\$ 6,549
TOTAL LIABILITIES	<u>117,263</u>	<u>6,549</u>
NET ASSETS		
Unrestricted	<u>779,049</u>	<u>9,199,767</u>
TOTAL NET ASSETS	<u>779,049</u>	<u>9,199,767</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 896,312</u>	<u>\$ 9,206,316</u>

The accompanying notes are an integral part of these financial statements.

DELAWARE HOUSING PARTNERSHIP, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
REVENUES		
Grants and Contributions	\$ 410,296	\$ 150,000
Interest on Investments	12,325	147,753
Interest on Loans	81,809	378,059
Other Revenue	<u>173,944</u>	<u>-</u>
TOTAL REVENUES	<u>678,374</u>	<u>675,812</u>
EXPENSES		
Professional Fees	12,030	18,118
Grant Expense	9,027,062	-
Bad Debt Expense	-	84,905
Management fees	<u>60,000</u>	<u>60,000</u>
TOTAL EXPENSES	<u>9,099,092</u>	<u>163,023</u>
CHANGE IN NET ASSETS	(8,420,718)	512,789
NET ASSETS, BEGINNING OF YEAR	<u>9,199,767</u>	<u>8,686,978</u>
NET ASSETS, END OF YEAR	<u><u>\$ 779,049</u></u>	<u><u>\$ 9,199,767</u></u>

The accompanying notes are an integral part of these financial statements.

DELAWARE HOUSING PARTNERSHIP, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (8,420,718)	\$ 512,789
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Transfer of loans to the Delaware State Housing Authority	9,027,062	-
(Allowance adjustment) bad debt expense	(158,944)	84,095
(Increase) in other receivables	(10,544)	-
(Increase) in interest receivable	(70,781)	(272,118)
Increase (Decrease) in accounts payable	110,714	(44,501)
Total Adjustments	<u>8,897,507</u>	<u>(232,524)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>476,789</u>	<u>280,265</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Mortgages disbursed	(1,908,099)	(3,899,903)
Mortgage principal payments received	51,821	314,396
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,856,278)</u>	<u>(3,585,507)</u>
NET DECREASE IN CASH	(1,379,489)	(3,304,432)
CASH, BEGINNING OF THE YEAR	<u>1,613,324</u>	<u>4,917,756</u>
CASH, END OF THE YEAR	<u>\$ 233,835</u>	<u>\$ 1,613,324</u>
SUPPLEMENTAL DISCLOSURES:		
Taxes paid during the year	\$ -	\$ -
Interest paid during the year	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

DELAWARE HOUSING PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A ORGANIZATION

The Delaware Housing Partnership, Inc. (DHP) was incorporated December 22, 1992 as a non-stock corporation under the laws of the State of Delaware. The purpose of the Corporation is to promote the public welfare of the citizens of the State of Delaware by promoting and furthering, in any way consistent with its public welfare purposes, the enhancement and development of decent, safe and sanitary housing for persons and families of low and moderate income. It is governed by a Board of Directors, three appointed by State and New Castle County officials, three representing business interests and three at large.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Corporation are prepared on the accrual basis of accounting.

Financial Statement Presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, if applicable. In addition, the Corporation is required to present a statement of cash flows.

Income Tax Status

No provision has been made for income taxes since the Corporation qualifies as a tax-exempt corporation under the Internal Revenue Code 501(c)(3), and its activities do not result in any income tax liability. The Organization has not implemented Financial Accounting Standards Board ("FASB") Interpretation No. 48 since the effective date has been delayed until fiscal year 2010; but evaluates uncertain tax positions using FASB Statement No. 5, "Accounting for Contingencies," in accordance with existing standards.

Mortgages Receivable

Delaware Housing Partnership, Inc. provides funds to modest income families under the Delaware Housing Partnership Second Mortgage Assistance Loan Program. The funds are used to help cover down payment and closing costs through a second

DELAWARE HOUSING PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd.)

mortgage. The principal and interest payments on the mortgages may be deferred until the first mortgage has been paid. Interest accrues on the loans at a rate of six percent.

Mortgage receivables are valued at net realizable value. The allowance for uncollectible accounts is based on historical loss levels and an analysis of individual accounts. Mortgages are charged off against the allowance once the property is in foreclosure.

Cash and Cash Equivalents

The Corporation's cash and cash equivalents are considered to be cash on hand, demand deposits and investments held by the Treasurer of the State of Delaware.

Investments are held for the Corporation by the Treasurer of the State of Delaware, and are maintained in a common pool of funds for all participating state agencies and associated nonprofit associations. The pool is comprised of four categories of investments although a detailed accounting by category is not maintained for each depositor. Only the total invested for each depositor is made available on a periodic basis.

The Delaware Housing Partnership's funds are maintained in the following four pools:

- (1) Cash Account  
Objective - Liquidity  
Maturity - Maximum maturity is one year.
- (2) Liquidity Account  
Objective - Maximum yield and maintain safety of principal  
Maturity - Maximum maturity is two years.
- (3) Reserve Cash (Intermediate) Account  
Objective - Maximum yield and maintain safety of principal  
Maturity - Maximum maturity is five years.
- (4) Endowment Accounts  
Objective - To provide a long-term funding source  
Maturity - Maximum maturity is 10 years.



DELAWARE HOUSING PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd.)

The permissible types of investments for all of these pools are as follows:

- U.S. Government securities
- Government agency securities
- Certificates of deposit, time deposits and bankers acceptance
- Corporate debt instruments
- Repurchase agreements
- Reverse repurchase agreements
  
- Money market funds
- Canadian treasury bills
- Canadian agency securities

Contributions

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Expenses

The Corporation's by-laws call for the Delaware State Housing Authority (DSHA) to pay all administrative costs and perform all administrative functions of DHP except independent inspection services, audit and similar independent professional services. The Corporation pays Delaware State Housing Authority a management fee for the services provided.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DELAWARE HOUSING PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE C CASH

At June 30, 2009 and 2008, the Corporation's cash and investment balance held with the Office of the State Treasurer amounted to \$233,835 and \$1,613,324, respectively. Cash and investments are controlled by the personnel of the Office of the State Treasurer in Dover, Delaware and any investment decisions are made by the Office of the State Treasurer. The funds held by the State of Delaware Investment pool, an internal investment pool, are specifically identified for the Corporation, but the credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the State of Delaware.

NOTE D ACCOUNTS PAYABLE

As of June 30, 2009 and 2008, accounts payable consisted of the following:

	<u>2009</u>	<u>2008</u>
American Home Mortgage***	\$ 110,763	\$ -
Other	<u>6,500</u>	<u>6,549</u>
	<u>\$ 117,263</u>	<u>\$ 6,549</u>

\*\*\*Second Mortgage Assistance loans paid out by American Home Mortgage but not reimbursed by the Corporation as of June 30, 2009. American Home Mortgage is the issuer of the first mortgage.

NOTE E RELATED PARTY TRANSACTIONS

Delaware Housing Partnership, Inc. is closely associated with, and related to, the Delaware State Housing Authority.

The Delaware State Housing Authority (the "Authority") was created in 1968 by an act of the General Assembly of the State of Delaware (the "State"). The Authority, which is a public corporation, was originally established as the Department of Housing. It was organized under the Department of Community Affairs in 1970 and under the Delaware Economic Development Office in 1987. The Authority was established in 1998 as an independent Authority in the Executive Department, reporting directly to the Governor of the State, institutionalizing the role of affordable housing as a key aspect of State policy.

The Authority is authorized, among other things, to (1) make mortgage, construction and other loans to not-for-profit and limited-profit housing sponsors, (2) make loans to

DELAWARE HOUSING PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E RELATED PARTY TRANSACTIONS (contd.)

mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans, (3) purchase qualified mortgage loans from mortgage lenders, and (4) apply for and receive assistance and subsidies under programs from the Federal government and others.

The staff of the Delaware State Housing Authority performs all management and accounting functions for Delaware Housing Partnership, Inc. The general ledger and financial statements of Delaware Housing Partnership, Inc. are maintained and prepared by the Delaware State Housing Authority. In both 2009 and 2008 the Corporation paid Delaware State Housing Authority a management fee of \$60,000. In addition, the Delaware State Housing Authority owes \$10,544 to the Delaware Housing Partnership, Inc. for mortgage payments collected on behalf of the Corporation, but not remitted as of June 30, 2009.

NOTE F OTHER INCOME

For the year ending June 30, 2009, other income in the amount of \$173,944 consists of an adjustment to decrease the allowance for uncollectible accounts in the amount of \$158,944 and \$15,000 for the reimbursement of prior year management fees paid by the Corporation.

NOTE G GRANT EXPENSE

In August 2008, the Corporation and the Delaware State Housing Authority entered into an agreement whereby the Corporation transferred and assigned all of its rights, title and interest in \$9,027,062 of its mortgage portfolio. Accordingly, this amount has been shown as grant expense in the Statements of Activities.

## **SUPPLEMENTAL INFORMATION**

200 Springer Building  
3411 Silverside Road  
Wilmington, Delaware 19810  
302.478.8940

FAX: 302.478.0133  
www.btcpa.com  
info@btcpa.com

REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

September 25, 2009

Board of Directors  
Delaware Housing Partnership, Inc.  
Dover, Delaware

We have audited the financial statements of Delaware Housing Partnership, Inc. (a nonprofit organization) as of and for the year ended June 30, 2009 and have issued our report thereon dated September 25, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Delaware Housing Partnership, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Delaware Housing Partnership, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Delaware Housing Partnership, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Delaware Housing Partnership, Inc.'s ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Delaware Housing Partnership, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by the Delaware Housing Partnership, Inc.'s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Delaware Housing Partnership, Inc.'s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors  
Delaware Housing Partnership, Inc.  
Dover, Delaware

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware Housing Partnership, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of the Budget, and Office of Auditor of Accounts; and is not intended to be and should not be used by anyone other than these specified parties.

*Barbacane, Thornton & Company*

BARBACANE, THORNTON & COMPANY